

***Proposed Amendments to the  
California Clean Air Act  
Nonvehicular Source  
Fee Regulations***

***July 24, 2003***

# ***Basis for Today's Proposal***

- **Implement Legislature's direction to shift portion of Stationary Source Program budget from General Fund to fee-based program**
- **Comply with Governor's policy direction to relate fees to the activities of those paying fees**

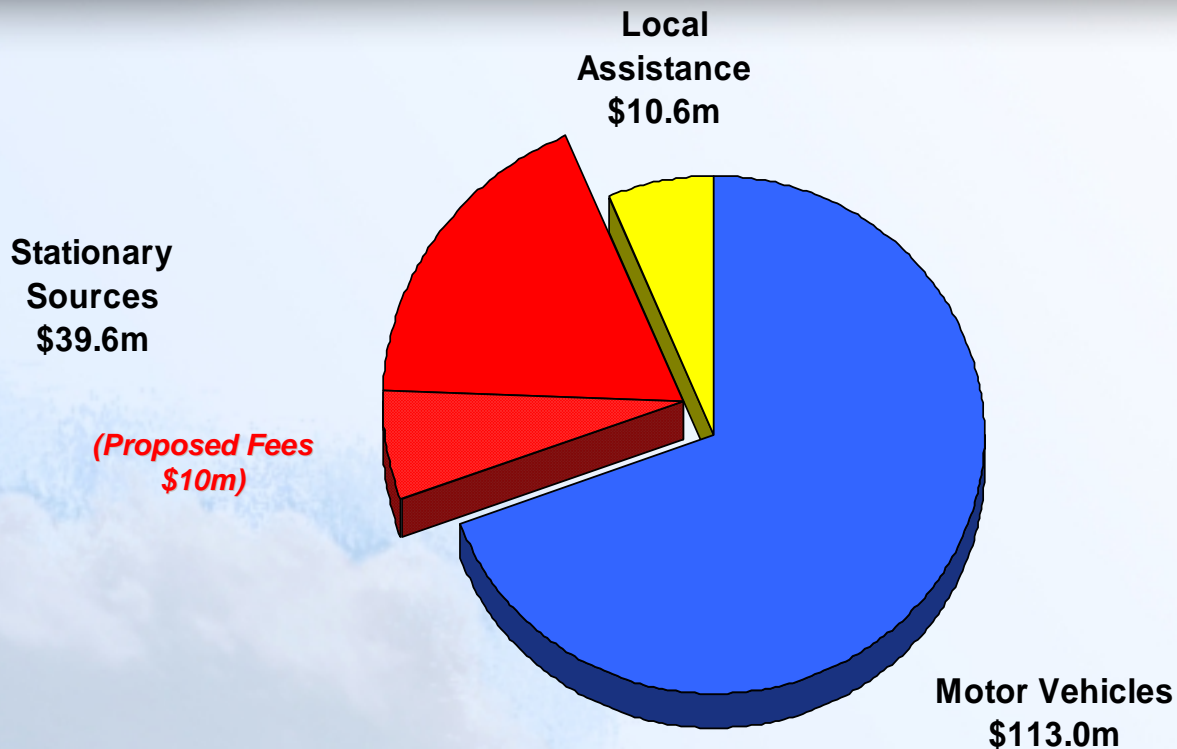
# ***Recent Budget Changes***

- **Current budget is \$82 million dollars less than the \$243 million peak in FY 2000-2001**
- **Significant part of reductions related to elimination of incentive programs**
- **\$17 million reduction in operating expenses, including staff reductions**

# ***FY 2003-2004 Budget Proposed***

- **Reduces ARB General Fund allocation by \$12 million**
  - Shifts \$10 million from General Fund to fee-based program
  - ARB to absorb \$2 million difference
- **Implement plan to reduce personnel services by 10 percent**

# ***Expenditures FY 2003-2004 (Proposed)***

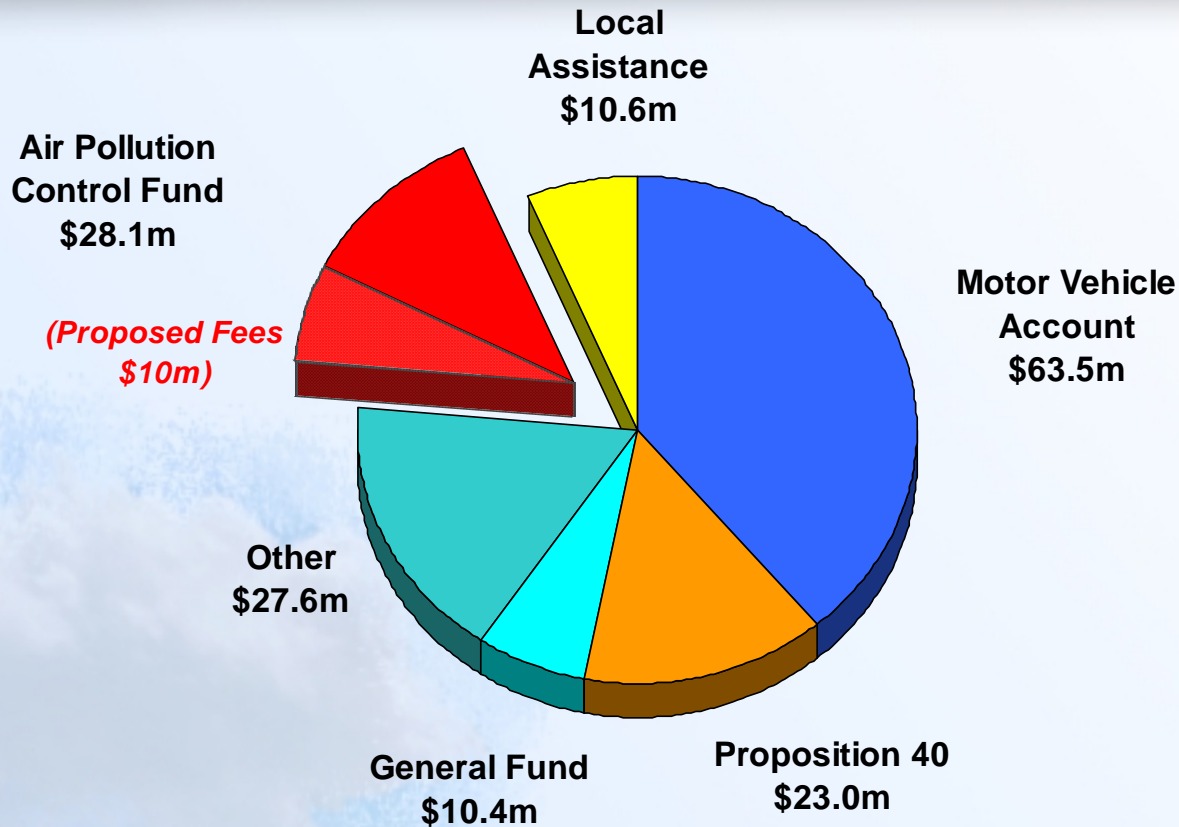


**Proposed Budget= \$163.2 million**



# ***Funding Sources***

## ***FY 2003-2004 (Proposed)***



**Proposed Budget= \$163.2 million**

# ***Potential Impacts***

- **Failure to recover \$10 million in FY 2003-2004 would impact our air quality program and jeopardize compliance with federal Clean Air Act**
- **Impacts of non-compliance**
  - **Loss of \$2.4 billion in Federal transportation funds**
  - **Federal takeover of air quality programs**
  - **Higher facility offset ratios**
- **Less public health protection**

# ***Current Clean Air Act Fees***

- **Existing law authorizes the collection of \$3 million each year from facilities**
- **Affects about 65 facilities emitting 500 tons or more per year or more of any non-attainment pollutant or precursors**
- **Fees used to recover costs of programs related to nonvehicular sources**



# ***AB 10X Amends Existing Law***

- **Collect fees from facilities at a lower threshold**
- **Collect fees from manufacturers of architectural coatings and consumer products**
- **Governor directed that fees be spent on State activities related to the fee payers**

# ***AB 10X - Facilities***

- **Lowers applicable threshold levels from 500 to 250 tons per year**
- **Provides three fee collection options, including allowing the Board to collect fees directly**
- **Caps facilities fees at \$13 million**

# ***AB 10X - Other Sources***

- **Fees to be assessed on manufacturers of consumer products and architectural coatings whose products emit 250 tons per year or more of VOCs**
- **Requires the Board to collect fees**
- **Fees used to mitigate or reduce air pollution created by manufacturers**

# ***Goals of the Proposal***

- **Establish a mechanism to recover any funds identified in the final budget for recovery under a fee-based program**
- **Establish a fair and equitable fee assessment process**

# ***Development of the Proposal***

- **Developed method for assessing fees**
- **Proposed regulatory amendments to existing fee regulations**
- **Conducted two public workshops**
- **Held numerous meetings with stakeholders**



# ***Establishing Fees***

- **Emissions are the best way to distribute program costs**
- **Establish a uniform fee rate for all sources**
- **Emissions based on 2001, which is latest data available**
- **Affected facilities/manufacturers have opportunity to update emissions**

# ***Fee Rate Calculation***

$$\text{Fee per ton} = (R + A - C) / E$$

where: R = Revenues needed as determined  
by State budget

A = Adjustment for undercollections

C = Carryover from previous year

E = Total emissions subject to fees

# ***Estimated FY 2003-2004 Fees***

- **Cost Per Ton of Emissions**
  - \$57 per ton
- **Total Costs**
  - 95 Facilities: ~\$8 million
  - 78 Arch. Coat./Con Prod.: ~\$5 million
- **Cost Per Facility/Manufacturer**
  - Smallest: ~\$14,000
  - Largest: ~\$570,000

# ***Other Proposed Amendments***

- **New operative date, the latter of:**
  - **Date OAL files with the Secretary of State;**
  - **91<sup>st</sup> day after special session ends**
- **ARB collects fees directly; optional process for districts to collect fees**
- **New definitions**

# *Issues*

- **Inappropriate to act without State budget or before the final effective date of AB 10X**
- **Emissions as basis for fees**
- **Use of uniform \$/ton for all sources**



# ***Staff's Proposed Modifications***

- **Reduce the time from 60 to 30 days to pay fees for FY 2003-2004**
- **Definition of holding company**
- **Technical amendments to address South Coast AQMD emission reporting**
- **Increase time to review preliminary emission estimates**

# ***Potential Impacts***

- **No significant environmental impacts**
- **No significant impact on the creation, elimination, or expansion of affected businesses; or jobs**
- **No adverse environmental justice impacts**

# ***Summary***

- **AB 10X enables us to recover costs through fees**
- **Proposed regulation establishes the process to collect fees and is fair and equitable**
- **Failure to establish mechanism could jeopardize compliance with the federal Clean Air Act**

# ***Recommendation***

**Adopt the proposed resolution,  
with staff's suggested modifications**